



**Health Services**  
LOS ANGELES COUNTY

February 4, 2010

**Los Angeles County  
Board of Supervisors**

**Gloria Molina**  
First District


**Mark Ridley-Thomas**  
Second District

**Zev Yaroslavsky**  
Third District

**Don Knabe**  
Fourth District

**Michael D. Antonovich**  
Fifth District

**TO:** Each Supervisor

**FROM:** John F. Schunhoff, Ph.D.   
Interim Director

**SUBJECT: NOTIFICATION OF DEPARTMENT OF HEALTH SERVICES' USE  
OF DELEGATED AUTHORITY TO EXECUTE MEDICARE PART D  
AGREEMENTS**

**John F. Schunhoff, Ph.D.**  
Interim Director

**Robert G. Splawn, M.D.**  
Interim Chief Medical Officer

This is to advise your Board that the Department of Health Services (DHS) has exercised its delegated authority, approved on March 3, 2009 (attached), to execute two additional Medicare Part D Agreements. The Agreements are with WellPoint NextRx (WellPoint) and ProCare PBM (dba ProCare Rx) and will be effective February 1, 2010 through December 31, 2010.

In 2009, Agreements were executed with Caremark, Health Net, Medco, RxAmerica, Walgreen Health Initiative and WellPoint. These six Agreements represented the 2009 Centers for Medicare and Medicaid Services (CMS) approved Medicare Part D Prescription Drug Plan providers. Beginning in 2010, Walgreen Health Initiative is no longer a provider and has been replaced by ProCare PBM. The other providers continue to be CMS' private prescription drug plan providers and are automatically extended.

The delegated authority was exercised to include ProCare PBM as a provider and to include the updated 2010 WellPoint Agreement, which minimally reduces the reimbursement rate from the version previously approved by your Board, as that rate adjustment does not constitute a material modification of the Agreement. In the event that DHS receives a replacement Agreement or Amendment to a previously approved Agreement, which materially modifies terms, we will seek Board approval of the Agreement or Amendment.

County Counsel has reviewed and approved the two new Agreements as to form. The Chief Executive Office has also reviewed and approved the Agreements.

If you have any questions or require additional information, please let me know.

JFS:rf

Attachment

c: Chief Executive Office  
County Counsel  
Executive Office, Board of Supervisors

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Los Angeles, CA 90012

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March 3, 2009

**ADOPTED**  
BOARD OF SUPERVISORS  
COUNTY OF LOS ANGELES

85

MAR 03 2009

The Honorable Board of Supervisors  
County of Los Angeles  
383 Kenneth Hahn Hall of Administration  
500 West Temple Street  
Los Angeles, CA 90012

*Sachi A. Hamai*  
SACHI A. HAMAI  
EXECUTIVE OFFICER

Dear Supervisors:

**APPROVAL OF AGREEMENTS WITH MEDICARE PART D  
PRESCRIPTION DRUG PLAN PROVIDERS  
(SUPERVISORIAL DISTRICTS 2 and 4)  
(3 VOTES)**

**SUBJECT**

Request approval of six Agreements with Medicare Part D Prescription Drug Plan providers for electronic billing and claims adjudication at two outpatient pharmacy sites in the Department of Health Services (DHS); delegate authority to expand the agreements to other DHS facilities and enter into future Agreements.

**IT IS RECOMMENDED THAT YOUR BOARD:**

1. Authorize the Interim Director of Health Services, or his designee, to execute up to six Agreements with the 2009 Medicare Part D Prescription Drug Plan providers (Caremark, Health Net, Medco, RxAmerica, Walgreen Health Initiative and Wellpoint), effective upon Board approval through December 31, 2009, (Exhibits I – V).
2. Delegate authority to the Interim Director of Health Services, or his designee, to expand the Medicare Part D prescription services to additional DHS facilities, subject to review and approval of County Counsel and the Chief Executive Officer (CEO), with notification to your Board.
3. Delegate authority to the Interim Director of Health Services, or his designee, to execute future Medicare Part D agreements through December 31, 2012, on condition that future agreements are substantially similar to the recommended agreements, subject to review and approval of County Counsel and the CEO, with notification to your Board.

**PURPOSE/JUSTIFICATION OF RECOMMENDED ACTIONS**

Congress previously initiated prescription discounts for Medicare patients, but in 2006, a more comprehensive program was instituted and is currently known as the Medicare Part D Prescription Plan.

The Centers for Medicare and Medicaid Services (CMS) is the federal agency charged with administering the Medicare Part D Prescription Plan and there are private prescription drug plan providers that contract with CMS to execute the program. The private prescription drug plan providers contract further with pharmacies to dispense medications to Medicare Part D patients. Within California, there are over 50 plans with different levels of prescription benefits approved to fill Medicare Part D prescriptions. Pharmacy networks are established within those 50 plans to be the outlet for prescription drug dispensing. Approval of the agreements will allow DHS to become part of the Medicare Part D provider pharmacy network and dispense medications to low-income and Medi-Cal/Medicare patients at Martin Luther King, Jr. Multi-Service Ambulatory Care Center (MLK-MACC) and Rancho Los Amigos National Rehabilitation Center (Rancho).

Currently, DHS outpatients with Medicare Part D prescription benefits are referred to nearby community pharmacies to fill their prescriptions. Approval of the first recommendation will allow DHS to fill Medicare Part D prescriptions and to perform electronic billing and claims adjudication with the contracted Medicare Part D Prescription Drug Plan providers at MLK-MACC and Rancho. DHS will initiate a pilot program at these two DHS facilities to dispense prescriptions for these patients. Approval of the second and third recommendations will allow DHS to expand the pilot program to other DHS sites and more expediently execute future Agreements, subject to review and approval of County Counsel and the CEO, with notification to your Board.

On August 5, 2008, your Board accepted a report by the Chief Executive Officer, in concert with the Interim Director of Health Services, on findings and recommendations to enable our healthcare system to accept Medicare Part D prescription drug coverage. The approval of the three recommendations in this Board letter is consistent with your August 5, 2008 adopted action.

The pilot project will gather data on the impact of Medicare Part D prescription dispensing on pharmacy operations, expenditures and revenue, patient acceptance, and patient satisfaction. Following the collection of data, the effectiveness of the pilot project and the impact to patient care will be assessed. After evaluation, it will be determined whether it is efficient and feasible to expand to additional DHS facilities.

### **Implementation of Strategic Plan Goals**

These actions support Goal 7, Health and Mental Health, of the County's Strategic Plan.

### **FISCAL IMPACT/FINANCING**

The estimated initial start up costs at MLK-MACC and Rancho are less than \$7,700. The cost components consist of computer hardware and software for electronically submitting billing information and a \$.10 transaction fee per prescription. The estimated annual yearly transaction fees are \$55 at MLK-MACC and \$225 at Rancho. Program costs will be absorbed within existing resources at each facility. Should prescription volume at the two pilot sites increase significantly due to the Medicare Part D pilot implementation, there may be a need to add additional pharmacy staff to ensure that patient care needs are met.

### **FACTS AND PROVISIONS/LEGAL REQUIREMENTS**

There are six Medicare Part D plans (Caremark, Health Net, Medco, RxAmerica, Walgreen Health Initiative and Wellpoint) approved for low-income and Medi-Cal/Medicare patients for calendar year 2009 by CMS. DHS obtained agreements from five providers which were reviewed by both DHS and County Counsel. When the Medco agreement is received, it will be reviewed by DHS and County Counsel and a determination will be made whether it will be one of the Medicare Part D providers for County patients.

The recommended Agreements are standard agreements for all Medicare Part D participating pharmacies and as such, they do not include the County's required provisions.

County Counsel has approved the attached Agreements, Exhibits I - V, as to form.

### **CONTRACTING PROCESS**

The County must utilize CMS approved prescription providers for Medicare Part D, therefore the County's contracting process is not applicable.

### **IMPACT ON CURRENT SERVICES (OR PROJECTS)**

Approval of the recommendations will allow DHS to implement a pilot program, evaluate the effectiveness, and potentially expand the program within DHS as a service enhancement to DHS' Medicare patients.

The Honorable Board of Supervisors  
March 3, 2009  
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**CONCLUSION**

When approved, DHS requires three signed copies of the Board's action.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'John F. Schunhoff', with a stylized, flowing script.

John F. Schunhoff, Ph.D.  
Interim Director

JFS:rf

Attachment (5)

c: Chief Executive Officer  
County Counsel  
Executive Officer, Board of Supervisors

Medicare Part D BL  
RF:r board letter pharmacy medicare part d 02.17.09